

**RESPONSE OF CAITHNESS BLYTHE II TO STAFF'S MOTION TO  
COMPEL APPLICANT TO SUBMIT CERTAIN INFORMATION ON  
PROPOSED TRANSMISSION INTERCONNECTION CONFIGURATION**

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## **I. INTRODUCTION**

Caithness Blythe II, LLC (hereafter “Caithness” or “Applicant”) hereby responds to Staff’s “Motion to Compel Applicant To Submit Certain Information On Proposed Transmission Interconnection Configuration” (hereafter “Staff’s Motion”) dated May 4, 2005. As set forth in detail in this response, the Committee should deny Staff’s Motion for many reasons. These reasons fall into three general categories.

First, the issues Staff raises have already been extensively briefed and ruled upon by this Committee more than a year ago. After hearing essentially the same arguments in Staff’s motion in a hearing held January 22, 2004, the Committee ruled on the transmission information required from the Applicant for this proceeding. The Committee did not require Caithness to submit any additional transmission system engineering information beyond what it had already submitted as of that time. Nonetheless, as shown below, Applicant has provided additional transmission information to Staff thereafter. Thus, Applicant has more than complied with the Committee’s Order following its review of these issues. The Committee further ruled that Staff was to prepare an FSA based on this information a full year ago. For a variety of reasons unrelated to transmission system engineering, Staff was unable to issue a FSA until this April. Staff now seeks to further delay this proceeding by raising again the issues the Committee ruled upon last year.

Second, Staff’s Motion incorrectly describes the facts and law applicable to this case. As shown below, it is not true that the Applicant has refused to provide relevant information regarding its transmission interconnection proposal in its possession. It is not true that the Applicant has changed its transmission interconnection proposal “many

times” or even at all during this proceeding. It is not true that the Applicant seeks an unprecedented decision from the Commission. It is not true that the Commission lacks sufficient information to support a licensing decision (as evidenced by the Committee’s prior ruling on this issue).

Staff’s confusion regarding these issues is attributable to a fundamental misperception of the project. Staff’s Motion appears predicated on the notion that the project includes the Desert Southwest Transmission Project (“DSTP”), a legally separate project under review by the Imperial Irrigation District to build a 118 mile, 500 kV transmission line from Western’s Buck Boulevard substation to Southern California Edison Company’s (“Edison” or “SCE”) Devers substation.

As Staff acknowledged at the January 22, 2004, hearing, the DSTP is a separate project from the Blythe II power plant and is beyond the Commission’s permitting jurisdiction. As discussed in detail in Section IV(b), below, the DSTP is intended to serve multiple purposes including, but not limited to, transmission of power from Blythe II.<sup>1</sup> It is being independently licensed and may proceed with or without the Blythe II project. In many cases, Staff’s assertions relate to interconnection issues for the DSTP and not the power plant project before this Commission. The blurring of the distinction

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<sup>1</sup> As set forth in the DEIS/DEIR for the DSTP, the objectives of the DSTP are as follows:

“The basic objectives of the Proposed Project are to:

Objective 1: Ensure access to competitive generation sources that will allow IID to minimize the market price spikes, which adversely affect the region’s customers.

Objective 2: Provide improved transmission access to new generation sources (e.g., the Griffith Energy Project, the South Point Energy Project, and the Blythe Energy Project) to meet the increased demands for electrical power in IID’s service area and to respond to transmission service and interconnect requests.

Objective 3: Enhance system reliability by providing additional transmission line capacity to the Coachella Valley load center and, thus, reduce loading on other transmission lines.

Objective 4: Improve operational flexibility during normal as well as contingency situations.”

between these projects permeates Staff's arguments and is often the source of Staff's dispute with the Applicant.

Third, Staff's Motion mistakenly relies upon the Commission's mandate to ensure electric reliability. It is not true that proceeding to a decision on this case threatens regional electric reliability. Staff is fully aware that Caithness will not be allowed to interconnect with any utility without a full review of the system impact issues independent of the Commission. That is equally true for the DSTP. As to Staff's concern that this review might result in "stranded generation", Staff knows well that it is Caithness, and not the public, that bears this risk. Staff also knows that Caithness will not build this project without a reasonable assurance of adequate transmission. Indeed, Caithness has even proposed a condition of certification to enforce this result.

The irony is that it is Staff's continued effort to delay licensing that constitutes a real threat to regional reliability. This project is one of only a few that can potentially come on-line in Southern California in the near term to provide badly needed generation. Even as the Commission debates Staff's motion, Edison has issued a request for offers ("RFO") for 1500 MW of new generation which can be on line by August 2008 to meet immediate needs in SP15 of all jurisdictional utilities. Yet Applicant's ability to successfully bid into this RFO is threatened by Staff's motion and the possible additional licensing delay that may result from it. The idea that further delay of this project is going to promote electric reliability in Southern California is obviously wrong.

Caithness addresses the merit of Staff's Motion and each of these issues in greater detail below. Before doing so, however, it is important that the Committee be reminded

of the facts of the proposed interconnection as well as the somewhat unique circumstances of this application. These issues are addressed in the next section.

## **II. OVERVIEW**

### **a. The Blythe II Project Has A Clearly Defined Interconnection Plan That Connects to the Grid at the Buck Boulevard Substation**

While Applicant has presented studies and information regarding several interconnection alternatives in this record, it has proposed only one interconnection configuration for this project. That configuration, which Applicant selected in consultation with the Staff, is that the project will build an approximately 1,000 foot transmission line to Western's Buck Boulevard substation. That is all that the Commission is being asked to license in this proceeding. Moreover, it is all that the Commission has jurisdiction to license (because Buck Boulevard is the first point of interconnection with the grid).<sup>2</sup>

Beyond the Buck Boulevard substation, there are several alternatives under discussion for delivery of power from that substation to loads in Southern California. Applicant's preference is the Desert Southwest Transmission Project ("DSTP"), a proposal under review by the Imperial Irrigation District ("IID"). As discussed in Section IV(b), below, this is a network upgrade that will serve multiple purposes including, but not limited to, transmission of Blythe II power.

It is critical that the Committee appreciate that all of the discussions regarding projects and impacts downstream of Buck Boulevard involve independent transmission projects and impacts that are beyond the Commission's permitting authority. While the

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<sup>2</sup> Public Resources Code Section 25107; *California Public Utilities Commission v. California Energy Resources Conservation and Development Commission* (App. 1 Dist. 1984) 197 Cal.Rptr. 866, 150 Cal.App.3d 437.

Commission does have authority under CEQA to consider environmental impacts caused by the power plant project that occur downstream of Buck Boulevard, those impacts must be attributable to the project being licensed and not to a separate, independent network upgrade that serves multiple purposes. Thus, while Applicant has provided a wealth of environmental information regarding the DSTP to this record, including the full Draft Environmental Impact Report ("DEIR"), this line is not part of Applicant's project and is being permitted separately.

**b. The Regional Transmission Context For This Application Is Identical To That Of Blythe I But Distinct From Many Other Commission Cases**

Both the Blythe I Project and this one arise in a context different from that of most historic Commission cases. In most Commission cases, the project proposes an interconnection that: 1) affects only a single transmission owner; and 2) interconnects with a transmission system that is not undergoing major changes affecting the interconnection. In sharp contrast, the two Blythe cases present the problem of licensing generation in a region involving multiple transmission owners and on-going regional discussions of alternative major transmission upgrades potentially affecting the interconnection.

The simultaneous proposals for both new regional generation and new regional bulk transmission present all stakeholders with a classic "chicken and egg" problem. It is difficult to assess the transmission alternatives until the generation picture is clear. Conversely, it is difficult to license the generation until the transmission picture is clear. The situation is compounded by the fact that there are several transmission systems, government agencies and owners involved in the resolution of the alternatives.

Given the “chicken and egg” nature of the problem, there is only one workable way to proceed. Since neither the transmission planning process nor the generation licensing process can proceed without the other, they must proceed somewhat in parallel. What that means in practice is that first the transmission planners must develop sufficient information to *reasonably* inform the generation licensing process that there is at least one and perhaps a range of acceptable transmission solutions. Then the generation licensing must proceed based on that information knowing that the ultimate selection of a transmission alternative must remain somewhat uncertain until the generation decisions have been made. In this way, the two processes can converge on mutually compatible solutions. To demand, as Staff essentially does, that the transmission alternatives be perfectly resolved prior to a generation decision is simply not workable. The Committee’s prior rulings have therefore appropriately rejected this approach.

Moreover, given the multiple transmission owners involved in this region, the transmission planning process must be a joint and cooperative effort and not simply each owner proceeding independently. It is not practical, as Staff has proposed previously, to have multiple transmission owners independently study the problem under their separate tariffs and present potentially conflicting solutions. The Committee’s prior rulings have therefore also appropriately rejected this approach.

Recognizing these circumstances and building upon the Commission’s decision in Blythe I, Commission staff recommended that Caithness proceed with a joint study of the Blythe area transmission issues involving all stakeholders. Caithness assembled the stakeholders and developed a scope of study which was agreed to by all parties and later resulted in the comprehensive Blythe Area Regional Transmission Study (“BART

Study”) now in this record. That study was prepared at the direction of Staff and with the participation of the CAISO and all the potentially interested transmission owners specifically to meet the licensing needs of the Commission. Together with other information submitted by the Applicant (discussed below), the BART Study provides sufficient information to support licensing and shows that there are multiple acceptable alternatives to deliver power from this project. Specifically, all the stakeholders concurred in the Study’s conclusion that:

The need for the transient stability, short circuit, and post-transient analysis from the BART Study have been addressed and the final report has been completed (reference GE Final Report, dated 4/15/2004). While these studies will also have to be done for OATT compliance, we believe that with the completion of this latest analysis and the consensus on mitigation issues, the BART Study is sufficient to identify network upgrades and associated environmental impacts resulting from the interconnection of the Blythe II Project as needed for the Energy Commission’s licensing review (i.e. upgrades required outside of existing Western/SCE/IID substation fences).

For the purposes of the CEC review for the Final Staff Assessment (“FSA”) that is expected to be completed the end of April 2004, the above conclusions support that no new additional transmission facilities or upgrades that have not already been identified will be required outside the SCE, Western, and IID substation fences (just inside the fences such as breakers, switches, etc.).

Thus, there is a great deal of information in this record regarding the full range of possible transmission alternatives that might ultimately support this project.

Caithness’ presentation of information on the full range of alternatives does not mean, however, that the company has refused to specifically define its proposed interconnection or that has been changing its project description during this case. To the contrary, recognizing that the Commission needs a clear project definition notwithstanding the unavoidable “chicken and egg” uncertainty, Caithness has proposed

one specific alternative for licensing in this case and has never amended it. That proposal is the Buck Boulevard configuration described in Section II.a, above.

This proposed interconnection is not simply a licensing “straw man.” Caithness and the DSTP proponents have vigorously pursued this alternative through a completed interconnection application with Western and the completion of a Draft EIR/EIS for the DSTP. All this information has been made available to Staff and this record. Thus, in addition to the BART Study information regarding all alternatives, Caithness has identified its preferred alternative and presented all the specific information ordered by the Committee and needed to support licensing regarding it. It has never changed its proposal in this proceeding.

What appears to be the root of Staff’s concern is that Caithness continues to participate in regional discussions of all the various transmission alternatives, not simply its preferred one. Contrary to the tone of Staff’s motion, there is nothing inappropriate about such action under the circumstances. Such discussions do not indicate that Caithness has abandoned the Buck Boulevard alternative proposed in this application or that the company has some secret intent to pursue something else. Nor do they reflect some flaw in the preferred alternative or lack of information regarding it. These discussions simply reflect the reality that there continue to be multiple stakeholders and several proposed transmission projects in the region.

Distilled to its essence, Staff’s position is that the Commission should refrain from proceeding with generation licensing where there are multiple transmission alternatives under discussion in the region. This approach ignores the “chicken and egg” problem—the transmission alternatives cannot be fully resolved absent decisions on

generation. Adoption of this approach would only demonstrate that the Commission lacks the pragmatism and creativity necessary to make its processes work in the complex transmission planning environment increasingly extant in California.

From the outset of this case, Caithness has proposed and implemented the only pragmatic solution. That is to present to the Commission both as much information as possible regarding the full range of alternatives (the BART Study) and more specific information regarding a single preferred alternative proposed for licensing (the Buck Boulevard interconnection). The next logical step is for the Commission to proceed to a licensing decision assuming the proposed preferred alternative but also having considered all the alternatives. Then the remainder of the regional transmission planning process can proceed informed by the Commission's decision regarding this project. The Commission can ensure full compliance with LORS in the same fashion as it did for Blythe I: through conditions requiring Commission review of the final transmission studies prior to construction.

If the outcome of that future planning process is substantially different than assumed by the Commission in its licensing decision, then it is conceivable that Caithness may have to return to the Commission with an amendment to its application. But under the circumstances, there is no way that Caithness can be expected to know the outcome of that process now. Nor is it practical to delay a licensing decision to await the outcome of this future transmission planning, since such planning depends in part upon knowing the Commission's licensing decision.

This is precisely the approach the Commission adopted in the Blythe I proceeding. That project was licensed by the Commission in this same environment and

based upon similar, indeed in some instances less, information. As discussed in Section IV(f), below, the Commission approved the project acknowledging that: 1) the project could not transmit all its power absent future upgrades to the transmission system that may not occur exactly as assumed in the license; and 2) that the environmental and electric system impacts of the Project on systems downstream of its initial interconnection were unknown and would be the subject of future study by the affected utilities. The Commission approved that project contingent upon the submission of these future studies prior to construction.<sup>3</sup> In short, the proposal of Caithness here is conceptually identical to that already adopted by the Commission in the prior Blythe proceeding.

### **III. THE COMMITTEE RULED AGAINST STAFF ON THE ISSUES IN THIS MOTION MORE THAN ONE YEAR AGO**

The issues raised in Staff's motion have already been decided by this Committee over a year ago. Following Staff's raising of essentially the same claims in its PSA, Caithness submitted an extensive response specifically on the transmission system engineering issues as part of a status report to the Committee dated December 9, 2003. (See Attachment A). Staff thereafter filed an extensive rebuttal. On January 22, 2004, the Committee conducted a hearing on the issues as part of its Scheduling Conference. At that hearing, the Committee heard from and questioned Staff and Applicant representatives on the transmission issues extensively—the transcript contains approximately fifty pages of discussion on this topic.

At this hearing, the following colloquy occurred between Presiding Member Keese and the chief staff witness, Mr. McCuen:

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<sup>3</sup> See Condition TSE-1 to the Blythe I license.

PRESIDING MEMBER KEESE: All right. Let s jump back here. Does that mean that we have jurisdiction over anything other than that thousand feet?

MR. MCCUEN: No, no. Not unless when the studies are completed there is a -- well, if they don t change the termination we don't have jurisdiction. Okay.

PRESIDING MEMBER KEESE: Correct.

MR. MCCUEN: Our, our concern is that --

PRESIDING MEMBER KEESE: Now, recognizing --

MR. MCCUEN: As it stands right now we don't have jurisdiction.

PRESIDING MEMBER KEESE: -- that there are actions taking place, if it's not in front of the PUC today, but Palo Verde/Devers is very much a conceptual project, would it be better to connect to that if this project were connected to that?

MR. MCCUEN: I have no idea. It appears that, that, that there be some analysis of that. My, my point here is, is, is to point out the uncertainty and what might happen if they do something different than is permitted. We're, we're looking at permitting that one and not some other one.

PRESIDING MEMBER KEESE: Well, it, it --

MR. MCCUEN: And if they, they change it could --

PRESIDING MEMBER KEESE: It sounds to me then, again, like the simplest thing for the applicant is just to hook up there. And then if the system decides there's a better way to do it that will be another step somewhere down the line.

MR. MCCUEN: I have no problem with that. I recognize as a planner that, that we can't know here now what the best is but, but we need to be careful that we deal with the applicant's process -- project and, and --

PRESIDING MEMBER KEESE: As proposed.

MR. MCCUEN: And we don't see signs that they're really looking at something else while they're asking us to terminate at Buck.

(January 22, 2004, Transcript at pp. 85-86; emphasis added).

This exchange highlights three key points: 1) that Staff agrees that the Commission's jurisdiction stops at Buck Boulevard; 2) that Staff agrees that it is

appropriate to deal with the applicant's project as proposed despite the uncertain environment; and 3) that Staff's concern is rooted in "signs that they're really looking at something else while they're asking us to terminate at Buck."

Following this lengthy hearing, on February 4, 2004, the Committee issued its scheduling order setting forth the schedule and the additional information required of the Applicant. (*See* Attachment B). In a sharp rebuke to the extensive information demanded by Staff in the PSA, the Committee did not require the Applicant to submit any additional information on transmission system engineering. The Order also provided that: "[t]he Committee fully expects the Final Staff Assessment to be filed no later than May 22." Today, fifteen months after that Order issued and almost a full year after Staff was to be prepared to go to hearing on these issues, Staff asks this Committee to essentially reverse its ruling.

As shown below, Staff's position is without substantive merit. But the Committee need not even reach the merits of this argument. Given the Committee's extensive review and decision on these same issues last year, Staff bears the burden of showing some compelling changed circumstances to justify any reconsideration of the Committee's prior ruling.

Instead, Staff has merely recast its earlier arguments and barely acknowledges the Committee's prior ruling at all. Staff's only discussion of the prior ruling appears at the very end of the Motion as follows:

At the January 2004 Status Conference, the Committee indicated that it might be willing to proceed to evidentiary hearings without the information previously requested by staff. However, there have been substantial changes since the Committee expressed this inclination. BEP II has delayed securing its place in the queue so long that it has fallen behind BEPTL and DPV2; the interconnection of BEP II must now assume that BEPTL and DPV2 are in place. BEP II has

intervened in BEPTL, further raising doubts as to its commitment to the DSWTP transmission option. Additionally, staff has not received applicant's request to terminate with SCE, either on the DPV1 line or for the termination of the DSWTP to the Devers Substation, despite applicant's assurance at the January 2004 Status Conference that it would be provided. (Staff Motion at p. 11-12).

To begin with, the Committee did not indicate that it "might" be willing to proceed without the information requested by Staff. It ruled against the Staff completely and ordered Staff to prepare an FSA by last May without any of the additional transmission system engineering information Staff demanded in the PSA.

As to Staff's half-hearted attempt to argue changed circumstances, none of the issues Staff raises have any merit. Caithness addresses the queuing issues in Section IV(c), below. As to Applicant's intervention in the Blythe I transmission proceeding, this hardly constitutes grounds for "doubt as to its commitment to the DSTP transmission option." To the contrary, Applicant's intervention seeks to promote a regional solution workable for both projects, which Applicant (and, ironically, Staff) believes is the DSTP.

Finally, with respect to Staff's claims regarding "applicant's request to terminate with SCE", in Sections IV(a)(ii) and IV(b) Caithness shows that: 1) Staff is improperly treating the DSTP as part of this project; 2) Applicant's project terminates with Western and not with Edison; and 3) Applicant has provided all the information required by the Committee Order and that is needed by the Commission to resolve these issues.

All parties have a right to rely upon the Committee's Orders. Caithness has certainly relied upon this one. Staff's feeble attempt to argue changed circumstances cannot disguise that its Motion is nothing more than an attempt to overturn the Committee's prior order on the same issues. For this reason alone, the Committee should summarily reaffirm its earlier order.

#### **IV. STAFF'S MOTION IS WITHOUT MERIT**

##### **a. Staff's Assertion that the Applicant has Withheld Necessary Information is Wrong**

##### **i. Applicant Has Provided More Than Sufficient Information Regarding the Electrical and Environmental Impacts of Its Proposed Interconnection Configuration**

Staff's Motion suggests that Applicant has not already provided sufficient information for the Commission to evaluate the impacts of its interconnection proposal. In fact, Caithness has provided more information than is necessary, including more information than the Committee ordered last year and more information than the Commission had in Blythe I.

In its initial Application for Certification ("AFC") filing, Applicant provided all the transmission system impact information required by the Commission's regulations for timely completion of the one-year AFC process. Both the Staff and the Commission concurred with this fact in finding the application data adequate on July 17, 2002.

Following the finding of data adequacy, Applicant worked with Staff and all other potentially affected transmission owners to produce the BART Study. Recognizing that the Blythe II Project lies at the boundary of several different transmission systems, Applicant, Staff and the various interested transmission owners cooperated in preparing this single, jointly-prepared study specifically intended to address the information needs of the Commission in this proceeding. The study was prepared by a third party contractor under the direction of a technical study group. The technical study group included the principal stakeholder utilities (IID, Edison and Western), the CAISO, the Applicant and the Staff.

The Staff was fully aware of this study from its outset and participated actively in its design. In September of 2002, over 20 people representing the Staff as well as various utilities and the CAISO were sent a Draft Study Work Plan for a single system impact study prepared by KR Saline & Associates. On September 16, 2002, a workshop was held to review the Draft Study Work Plan. Staff was represented at the workshop by Al McCuen, Bill Pfanner, Lisa DeCarlo, Esq., and Ajoy Guha. Based upon the input at the workshop, a final study work plan was published on September 17, 2002 for final review and comment.

The purpose of the Study was expressly stated in the Final Study Work Plan document:

"This purpose of this Study is to analyze the Blythe area regional transmission (BART) system including feasibility of selected transmission options to support the interconnection of the 520 MW Blythe Energy Project Phase II (BEP II). This regional analysis includes the review of: Western Area Power Administration (Western); Imperial Irrigation District (IID); and Southern California Edison (SCE) transmission systems."

"The basic concept of this analysis is to review the various transmission options with and without the Blythe Energy Project Phase 2 (BEP2), and determine the impacts on the Blythe regional interconnected transmission system. The Study Group will also select critical sensitivities that will represent more extreme conditions as part of the final analysis."

A subsequent conference call was held on September 26, 2002, and each week until the first Draft BART Study Report was produced on November 2, 2002. This Draft was followed by several revisions to incorporate comments from the study group members. Revision 2 was produced for comment at the end of January, 2003, and Revision 3 was produced for comment in February, 2003. Final Reports with Executive Summaries were produced in March, April and July of 2003. Finally, on August 14,

2003, Applicant provided to Staff a version of the BART Study limited to the specific configuration for which it seeks a permit in this application proceeding.

In summary, based upon the input from all interested parties, including specifically the Staff, the various potentially-affected transmission owners prepared this joint study of the impacts of interconnecting the Blythe II Project in several different ways. The Report includes specific power flow studies under a variety of conditions consistent with commonly-accepted engineering principles and applicable reliability standards agreed upon in the Study design. The Report summarizes its conclusions as follows:

“Based on this power flow analysis, the addition of the BLYTHE II with any of the Transmission Options described in this report can be interconnected to the transmission system, with some mitigation of the existing system.”<sup>4</sup>

None of the interested transmission owners disagreed with this conclusion.

Throughout this extended effort, the participants understood that the purpose of the study was to complete a comprehensive utility load flow planning study that could be used by the CEC (and perhaps others) to assess the impact of connecting Blythe II to the grid. Specifically, Applicant and the participating utilities understood the following key points regarding this study:

- The CAISO, stakeholder utilities and the Staff would use the BART study as a basis for comments to the CEC on potential impacts of interconnecting BEP II to the grid.
- The BART study would replace the CEC need for system impact studies produced by the individual utilities. Drawing parallels to Blythe I, the BART study would replace the Western system impact study that was used by the CEC for licensing Blythe I.

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<sup>4</sup> *Id.*

- This study was not to replace system impact studies that would be completed by individual utilities for compliance with their individual FERC tariffs. In fact, the utilities made it clear that they would run their own system impact studies. As in Blythe I, many of these studies would be completed post BEP II licensing. As in Blythe I, many of the improvements that may result from detailed operational and SIS studies are "inside the fence" and are not normally a concern of the CEC.

In addition to the initial information in the AFC and the subsequent BART Study, Caithness has continued to submit information to the Staff over the past several months even though the Committee Order did not require it to do so. In response to the Staff's request at the January 22, 2004, hearing for system stability and short circuit studies for Blythe II, Applicant contracted with General Electric to complete this study. The study was completed with coordination with those transmission owners that participated in the BART Study. A meeting was held on April 8, 2004 to review the Draft Study Results with the CEC and other stakeholders including the CAISO. General Electric completed the studies on April 15, 2004 and copies were distributed directly to the Staff.

The Western Interconnection Request was forwarded to CEC Staff on more than one occasion, most recently on April 7, 2004 and contains the plan view of the Buck Boulevard Substation, the plan view of the integration switchyard, and plan view of the interconnection transmission lines. In addition, the description of these facilities was added to the revised Project Description, which was docketed with the CEC.

Staff, Applicant and other transmission stakeholders met on April 8, 2004 to obtain consensus on the verification of the mitigation measures for criteria violations in accordance with the BART studies. The result of that meeting was a request for written confirmation that the mitigation measures contained in the BART Executive Summary, as modified at the workshop satisfied the various stakeholders. Based on this meeting, a memorandum was circulated among the stakeholders confirming that there was a consensus reached concerning the mitigation measures. (See Attachment C).

It was agreed at the April 8, 2004 meeting that since there is an existing CAISO approved nomogram in place that can be used for the Blythe II, Staff can rely on it and therefore does not require an additional nomogram to be submitted by the Applicant.<sup>5</sup>

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<sup>5</sup> The CAISO approved nomogram is entitled: "*East of River/Southern California Import Nomogram T-103 Version 6.1*" dated February 6, 2004.

Applicant has a valid and accepted interconnection request on file with Western, and is in compliance with the Western open access transmission tariff. All of the required work with Western is to be completed inside the existing Buck Boulevard Substation. Expansion of the Buck Boulevard facilities will occur inside the fence line and was contemplated when Blythe I was licensed. No additional environmental studies are required for work to be performed inside the fence line as part of the Blythe II interconnection request with Western.

Finally, following up on the discussion at the January 22, 2004, hearing, Applicant submitted a proposed condition of certification to Staff. This condition, which was discussed with the Committee at the hearing, addresses all remaining transmission concerns by ensuring that the project cannot begin construction until the Commission agrees that all necessary downstream transmission upgrades have been permitted and cannot begin operation until the Commission agrees that all such upgrades are in operation. The proposed condition is as follows:

TSE- \_\_\_\_ The Project Owner shall not commence construction until the Desert Southwest Transmission Project (or an equivalent transmission upgrade as determined by the CPM) has received all necessary permits. The Project Owner shall not deliver to the grid more than \_\_\_\_ megawatts combined from BEP and BEP II until the Desert Southwest Transmission Project (or an equivalent transmission upgrade as determined by the CPM) has been constructed and is in operation.

In addition to the electric system information described above, Applicant has provided to Staff a great deal of information regarding the environmental impacts of its interconnection as well as the DSTP. As to the former, the AFC contains all the information Staff requires regarding the 1,000 foot generation tie line and the physical interconnection at Buck Boulevard. Staff has never indicated that this information is insufficient. As to the DSTP, Staff has been provided with a complete Draft EIR/EIS prepared by the lead agency, the Imperial Irrigation District.

In summary, Applicant has worked closely with Staff and all stakeholders to address transmission and related environmental issues in this proceeding. It has

developed and submitted to staff a substantial body of information regarding its interconnection at Buck Boulevard. Downstream of there, Applicant has presented full environmental impact information regarding the DSTP, even though it is not within the Commission's licensing jurisdiction and is undergoing a complete environmental review by other agencies.

Overall, most of the information that Staff seeks in Attachment A of its Motion has already been provided in this proceeding. To the extent it has not, Applicant does not have the information and it is unnecessary for licensing. Specifically, Applicant's response to Staff's Attachment A is as follows:

1. All active Requests to Interconnect with the Western Area Power Administration (Western) at the Buck Boulevard Substation or any other part of the Western grid as well as all Interconnection Study Agreements and Study Plans.

Response: Caithness has provided to Staff all active requests to interconnect with Western.

2. All Requests to Terminate with Southern California Edison (SCE) at Devers-Palo Verde 1 (DPV1) or Devers-Palo Verde 2 (DPV2) or any other active request for termination on the California Independent System Operator (CAISO) or SCE grid as well as all Interconnection Study Agreements and Study Plans.

Response: Staff may be confused with transmission requests from FPLE, DSTP and others as opposed to the BEP II requests. Caithness has provided all requests made on its behalf to Staff, including even "fall-back" requests for configurations that are not proposed for licensing in this proceeding.

3. All System Impact Studies and Facility Studies performed by SCE and Western analyzing all interconnection alternatives and transmission alternatives, where applicable. This shall include the identification of the final project configuration and plan for interconnection of BEP II with the transmission system and all measures required to mitigate the identified transmission system impacts.

Response: No study results are available at this time other than the BART study results which have been reviewed and accepted by all the stakeholders.

4. An analysis of any potential impacts and mitigation measures (environmental, public health and safety, transmission system) resulting from the final

transmission interconnection configuration, including any impacts from any downstream facilities needed to mitigate system impacts caused by interconnection of BEP II.

Response: All this information has been provided as discussed in detail in the following Section IV(a)(ii).

Given the foregoing, it is not surprising that the Committee concluded in its February 4, 2004 Order that the Applicant had submitted all the transmission system information necessary for this proceeding. Nonetheless, Applicant has continued to work with Staff and has provided a substantial amount of additional information even though it was not required to do so. This additional information included, but was not limited to, the transient stability and short circuit analyses that Staff identified as key fifteen months ago. Staff's claims that Caithness has been withholding information are baseless.

**ii. The Information Provided By the Applicant Is Sufficient To Make All Findings Required By The Warren-Alquist Act**

As the foregoing section describes, Caithness has provided the Commission with a great deal of information regarding the impacts of its proposed interconnection. This information together with appropriate licensing conditions is sufficient to enable the Commission to make all the findings required by the Warren-Alquist Act. Specifically, it is sufficient to ensure compliance with applicable laws, ordinances, regulations and standards ("LORS") as well as to assess the potential adverse environmental impacts of the project in accordance with CEQA.

**1. Applicant has Provided Sufficient Information to  
Address Compliance with Applicable LORS**

For transmission system engineering, the key applicable LORS are the reliability standards of the Western Electricity Coordinating Council and the affected utilities. For the purpose of analyzing these issues, the BART Study and the other information provided by Caithness is more than sufficient and meets or exceeds that relied upon by the Commission in the Blythe I Project.

Indeed, the adequacy of the information in the BART Study to identify impacts and mitigation measures is demonstrated by Staff's own analyses. As far back as the PSA, Staff described in detail the impacts of interconnecting the Project under normal (N-0), single contingency (N-1) and double contingency (N-2) scenarios.<sup>6</sup> The PSA also discussed the specific mitigation measures identified for the various impacts.<sup>7</sup> Read closely, it is apparent that Staff's basis for rejecting the BART Study is not that it lacks necessary information, but rather reflects other Staff concerns.

Applicant believes Staff's concern arises from two issues. First, the BART Study does not supplant the separate system impact studies that each affected utility will do pursuant to their own individual requirements at a later date. Second, Staff apparently does not concur with some of the assumptions and results of the BART Study.

As to the first issue, the very point of doing the BART Study was to coordinate the otherwise separate and different studies that would be performed by Edison, IID and Western. While each entity must ultimately do its own separate SIS to comply with its own tariffs, the BART study is more useful to the Commission for licensing than these separate studies using potentially differing assumptions. By agreeing upon a common

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<sup>6</sup> See PSA at pp. 5.5-8 through 5.5-11.

<sup>7</sup> *Id.*

set of assumptions in a joint study, the parties have provided the Staff and the Commission with detailed power flow studies that reconcile the concerns of all affected utilities and avoid otherwise difficult issues of reconciliation of their separate studies.

Thus, while the BART Study does not supplant the individual studies of each entity (largely for tariff compliance reasons), it does provide the Commission with detailed power flow analyses leading to a *consensus* opinion regarding what upgrades are needed to reliably and safely interconnect the Blythe II Project to the grid. The Commission has all the information it needs to assure both reliable interconnection and to consider the environmental impacts of needed transmission upgrades. Therefore, while the BART Study may be labeled “preliminary” for purposes of detailed engineering or tariff compliance, all the utilities involved in its preparation agree that it is final for its intended purpose and provides sufficient trustworthy information for the Commission’s licensing requirements.<sup>8</sup> The Commission can ensure that the final individual utility studies for the project (and the DSTP for that matter) are performed and reviewed by Staff with an appropriate licensing condition.

This also addresses Staff’s concern that “Applicant has not shown that the transmission owners agree to the physical transmission system changes necessitated by BEP II.” In fact, the transmission owners have concurred in the identification of mitigation measures in the BART Study as discussed above. Moreover, Applicant’s proposed condition (preventing construction and operation of the project absent permitting and operation of necessary network upgrades) ensures that the owners have

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<sup>8</sup> This conclusion is enhanced by the Applicant’s submission of transient stability and short circuit analyses that were not included in the BART Study—a complaint of Staff in the PSA. With the submission of these studies last year, Staff cannot dispute that the BART Study is a complete power flow analysis addressing all electric reliability issues typically considered in Commission proceedings.

formally agreed through their respective tariff processes. That proposed condition (along with the utilities' federally-approved tariffs) ensures that the Applicant cannot inject more power at Buck than the system can accommodate.

As discussed in Section IV(f), that is essentially how the Commission handled similar issues in the Blythe I decision. In that case, Western, Edison and IID each performed certain detailed operational studies post-licensing. A similar procedure is appropriate here because: 1) the BART Study is sufficient to identify necessary upgrades with potential environmental impacts; and 2) the BART Study is sufficient to support a finding that the Blythe II Project can be safely and reliably interconnected to the grid.

Applicant believes that Staff's real concern is the second issue: that Staff does not entirely agree with all of the BART Study assumptions and results. Staff has previously indicated such lack of agreement in the PSA. This lack of agreement does not suggest a lack of sufficient information needed to address compliance with applicable LORS, however. The information in the BART Study is complete and fully adequate for that purpose.

Of course, Staff is not bound to accept the BART Study results. It is free to present alternative opinions to the Commission. However, that is a matter for resolution at hearing and not a matter of sufficiency of the data. Said differently, Applicant's obligation is to present an assessment of these impacts and appropriate mitigation measures, but not necessarily to present testimony with which Staff concurs.

By presenting the BART Study and subsequent information, Applicant has given Staff a legitimate and credible assessment that addresses through detailed power flow

analyses all system impacts and appropriate mitigation measures. Staff can and has addressed system impacts using this information.

**2. Applicant has Provided Sufficient Information to  
Address Environmental Impacts of New  
Interconnection/Transmission Facilities**

As to environmental impacts, Staff agrees that the Commission has all necessary information regarding the 1,000 foot generation tie line and all facilities within the Commission's permitting jurisdiction. Moreover, to the extent the Staff desires information regarding the environmental impacts or schedule for downstream facilities, such information has already been provided by the Applicant in the form of a detailed Draft EIS/EIR for the DSTP.

The Blythe II Project is not the cause of the DSTP and the DSTP is proposed to go forward with or without Blythe II. While the Commission's jurisdiction under CEQA extends beyond its permitting jurisdiction to ensure that downstream environmental impacts of the proposed power plant are evaluated, it does not permit the Commission to claim jurisdiction over entirely separate transmission projects. While Staff is free to comment on the environmental assessments of the DSTP being conducted by other agencies, it cannot conduct a separate environmental analysis of the DSTP in this proceeding. Even if the environmental impacts of the DSTP were relevant to this proceeding (which they are not), CEQA requires that the Commission rely upon the analysis of the lead agency for that project rather than conducting its own separate environmental review in the context of this proceeding.<sup>9</sup> The environmental impacts of

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<sup>9</sup> Public Resources Code sections 21165 and 21080.1.

the DSTP are entirely separate from those of Blythe II and are of no relevance to this proceeding.

Nonetheless, Applicant has provided very detailed environmental information regarding the DSTP to the Staff in the form of the Draft EIS/EIR for this project. That voluminous document describes all potential impacts in detail. Given that impacts are not relevant in the first place, the provision of this information is more than sufficient to address to Staff's legitimate need—if any exists—for environmental information regarding this project. The Committee should rule that this information satisfies Staff's demand for environmental information regarding proposed new or modified downstream facilities. To the extent the phrase "new or modified downstream facilities" is meant to refer to downstream facilities that are caused by Blythe II (i.e. facilities other than the DSTP), Applicant knows of no such facilities. Indeed, the BART Study participants agreed that there were no such facilities. (See Attachment C).

Finally, with regard to the environmental impacts of alternative downstream regional transmission facilities to the DSTP (e.g. the BEPTL or the DPV2), once again these are not impacts of the Blythe II project. Indeed, they are not part of Applicant's proposed configuration at all. Should these projects go forward, these impacts will be fully addressed in other forums and are beyond the scope of this proceeding. If in the future Blythe II elects to amend its proposal to interconnect with these facilities rather than the DSTP, then the specific impacts of that change will be reviewed by the Commission at that time as part of a review of the associated license amendment.

That said, it is worth noting that by presenting a full environmental analysis of the DSTP, the Applicant has provided information that essentially bounds the impacts of all

the alternatives. That is because all of the alternatives follow extremely similar routes and the DSTP extends all the way to the Devers substation, the most distant of the likely termination points of the alternatives.

In short, the Commission has information on the environmental impacts of Applicant's proposed interconnection, including not only the entire project but also all the likely downstream facilities beyond its permitting jurisdiction. That is more than sufficient for the Commission to make the environmental findings required by law in this proceeding.

**b. Staff's Description of the Project as Interconnecting with the CAISO Controlled Grid is Wrong**

As noted earlier, fundamental to Staff's mischaracterization of the issues is Staff's failure to recognize that the DSTP and Blythe II are legally distinct, separate projects. This misunderstanding is made plain by Staff's repeated statements in its motion that the Blythe II project will interconnect with the CAISO-controlled grid.<sup>10</sup> As a matter of law, it is the DSTP that will interconnect with the CAISO-controlled grid, not the Blythe II power plant. (Pursuant to the rules of the Federal Energy Regulatory Commission, the DSTP is a "network upgrade" and not a "generation tie" attributable solely to Blythe II.) As a matter of fact, because the DSTP may deliver power from IID, Blythe I, Blythe II or other power projects, it is neither possible nor appropriate to assume that all the impacts of interconnecting the DSTP at Devers are attributable to Blythe II.

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<sup>10</sup> For example, at p. 3 of its Motion staff states: "...staff still has no information on *BEP II's* Request to Terminate with the CA ISO-controlled SCE grid." (Emphasis added). Similarly, at p. 10 Staff states that:

"Commission regulations require the Commission to request CA ISO to perform an analysis and offer comments and recommendations regarding system reliability implications and identification of interconnection facilities required *for connection to the CA ISO controlled grid.*" (Emphasis added).

Simply put, the “downstream” impacts of Blythe II are those impacts downstream of Buck Boulevard—in other words, the DSTP. Applicant has never objected to Staff or the Commission looking at the environmental impacts of the DSTP in this proceeding, since Blythe II is relying upon it and the need for the DSTP is based in part on Blythe II. However, Staff goes too far in treating the DSTP as if it is part of the Blythe II project. In effect, Staff’s concern for “downstream” impacts is a concern for possible impacts that are two steps removed from the Blythe Project—they are impacts downstream *of the DSTP*. Any such impacts are being fully examined in the licensing and interconnection of the DSTP.<sup>11</sup> But with regard to Blythe II, any such impacts are “downstream of downstream” and are caused by commingled power on a network upgrade and not solely Blythe II.

**c. Staff’s Description of the Queue Issues is Wrong**

Staff’s motion also relies heavily on a confused perception of the interconnection queue for generation and transmission projects in the region. Staff’s position is as follows:

As a direct result of applicant’s failure to commit to an interconnection configuration, BEP II has fallen behind several other projects in the generation and transmission queue including SCE’s proposed Devers-Palo Verde 2 (DPV2) 500 kV line and Blythe Energy, LLC’s proposed Blythe Energy Project Transmission Line (BEPTL). The BEPTL is being evaluated as an amendment to BEP I in a separate Energy Commission compliance proceeding (Docket 99-AFC-8C). Given these additional projects in the Blythe region, which completely alter the transmission line situation in the area, none of the preliminary studies previously provided by applicant accurately reflect the proposed project and its potential impacts. Any proposal to interconnect to the transmission system must include in its evaluation all projects that are ahead of it in the queue. [Footnote omitted]. The Blythe Area Regional Transmission Power Flow Analysis (BART) study, upon which applicant relies, does not include the proposed BEPTL and

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<sup>11</sup> Moreover, Caithness is informed by DSTP representatives that Edison agrees that there are no impacts downstream of Devers that would require new facilities (as opposed to a remedial action or special protection scheme).

DPV2 as part of its baseline and is, therefore, not accurate. (Staff Motion at p. 5-6).

Here, once again, Staff treats the DSTP as if it is part of the Blythe II power plant project. In addition, Staff confuses the queue for interconnection of new generation with the queue for interconnection of new network transmission.

With regard to the generation queue for the Blythe II power plant, there have been absolutely no changes since the outset of this case. Blythe II's place in the generation queue at Buck Boulevard is identical to what it has always been. Furthermore, as to generation in the region (as opposed to specifically at Buck Boulevard), the only significant change affecting Blythe II is the delay of the Ocotillo Project. If anything, the delay of that project improves the "regional queue position" of Blythe II. The BART study assumed power from the Ocotillo Project as part of its baseline. Now that this project is delayed, there will be more capacity on the grid for Blythe II power than assumed in the BART Study, not less.

As to the transmission queue for the interconnection of the DSTP, staff again attributes interconnection of the DSTP to this power plant. Moreover, as a matter of fact, there have been no official changes in queue position for the DSTP.<sup>12</sup> Staff is wrong in saying that the DSTP is now "behind" the BEPTL in the transmission interconnection queue. As to DPV2, the DSTP has always been behind that project in the queue at Devers and the BART Study reflects that assumption. Thus, there is nothing about the queue issues that invalidates the BART Study results.

Moreover, Staff ignores the most fundamental point of all: if additional network upgrades are built ahead of the DSTP, it can only benefit the Blythe II project from a

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<sup>12</sup> Furthermore, since these projects propose to interconnect at different locations, there is no one single queue applicable to all of them.

transmission system engineering perspective. More transmission capacity for the same assumed generation can only decrease congestion, improve system stability and generally increase the ability of the network to receive Blythe II power.

Thus, even if the DSTP had fallen behind the BEPTL in “the” transmission queue, this change would not invalidate the BART study. It would simply mean that the study would be overly conservative. Including the BEPTL (or any other network transmission upgrade) in the BART Study base case would only mean that the injection of Blythe II power would be analyzed under less constrained conditions than assumed originally.

Finally, as Staff is well aware, the BART Study examined a range of alternatives including the configuration of the BEPTL and the possibility of DPV2. For all these reasons, Staff’s concerns regarding the queue issues are unfounded.

**d. Staff’s Assertion that the Applicant has Changed its Project Many Times is Wrong**

Staff’s motion repeatedly asserts that Caithness has changed its proposed interconnection configuration during this proceeding. This is simply untrue. After submitting the BART Study that examined various alternative configurations, the Applicant informed the Staff and the Commission that its proposed project would interconnect at Buck Boulevard and deliver power to the DSTP. Caithness has never changed that proposal since that time and it remains the Applicant’s proposal now.

To be sure, Caithness has continued to participate in a variety of regional discussions and studies of various alternatives since that time, including discussions of alternatives different than the Buck Boulevard configuration. But mere discussion of other alternatives does not constitute a change in the Applicant’s proposal.

**e. Applicant's Continued Participation in Regional Discussions of Transmission Alternatives is Appropriate and Not a Ground for Further Delay in this Proceeding**

Much of Staff's angst appears based on the fact that Caithness continues to discuss with various stakeholders all the various options for delivery of Blythe II power. Staff appears to equate such participation with a lack of commitment to the Buck Boulevard configuration or even to some disingenuous effort to hide its real intentions from this Commission.

In fact, Caithness has every reason to propose and license what it plans to build. Applicant fully understands, as all parties do, that if an interconnection configuration different from that licensed by the Commission becomes necessary, then Caithness will have to seek an amendment of its license. That amendment proceeding will examine the full range of issues that Applicant would face if the amendment had been proposed in the original license proceeding, including a full review of compliance with LORS and environmental impacts.<sup>13</sup> Applicant gains no licensing advantage whatsoever from changing its interconnection point after certification. To the contrary, the total licensing time and cost is significantly increased when one adds an amendment proceeding to the effort needed to obtain the original license.

Nor is it the case that Applicant has failed to vigorously move forward with its Buck Boulevard interconnection proposal. Caithness continues to actively work with Western toward obtaining a final System Impact Study for this interconnection point. Staff also appears to imply that Caithness is less than diligent because of alleged delays in the processing of the DSTP interconnection applications. Again, the DSTP is a separate project under the direction of a separate proponent and is not subject to the

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<sup>13</sup> Title 20, California Code of Regulations, section 1769.

control of the Applicant. Thus, even if such delays were real, it is not appropriate to attribute them to the Applicant.

But in fact the DSTP is moving forward as quickly as one could expect given the delays in the licensing of the Blythe II project and the many different proposed transmission upgrades being considered in the region. IID and the BLM have completed the environmental impact analysis for the DSTP under both CEQA and NEPA.

Ironically, one of the significant challenges preventing the DSTP from moving forward even more quickly are delays and uncertainty at the Energy Commission. Certainly the delays in this proceeding are having some impact on the DSTP because Blythe II would be a significant (though not the only) customer for the project. In addition, questions regarding the Commission's approval of the BEPTL also have an impact on the DSTP.

Given the continued uncertainty, it is hardly surprising that Caithness continues to discuss various contingencies and fall-back options for delivery of its power with other stakeholders in the region. Nor is it surprising that IID also participates in such discussions. But such discussions do not constitute project changes and they certainly do not reflect any abandonment of the configuration Applicant has presented to this Commission for licensing. Applicant continues to prefer the Buck Boulevard/DSTP configuration and is continuing to spend considerable time, money and effort pursuing it.

**f. Staff's Assertion that there is No Commission Precedent for Applicant's Proposal (and the Committee's Prior Ruling) is Wrong**

As discussed in Section IV(a)(ii), the information submitted by the Applicant together with appropriate conditions of certification is sufficient to ensure a complete environmental impact review and compliance with applicable LORS.

Yet Staff's Motion portrays this proceeding as a major departure from the Commission's past practice, asserting that never before has the Commission licensed a project based on information and circumstances similar to that proposed here.<sup>14</sup> This claim is particularly remarkable because all Applicant is seeking is to be treated similarly to the Commission's decision in Blythe I.

In the Blythe I proceeding, the Commission approved the project with the same type of uncertainties and issues as are presented in this case. In that proceeding, the Commission did not have all the system impact studies necessary for final utility approval of interconnection under applicable tariffs. To address this issue, the Commission required the project owner to submit the final studies prior to the start of construction, precisely as Caithness has proposed here. The Blythe I Presiding Member's Proposed Decision (adopted by the Commission as its final certification decision) describes how this issue was dealt with as follows:

Completion of pending WSCC peer review, completion of a final Facilities Study by Western, and any future issuance of an interconnection agreement from Western, will assure conformance with NERC, WSCC and Western reliability criteria. (Ex. 53, p. 531.) Condition of Certification TSE-1e is adopted to provide for Commission review of the WSCC Peer Review report, Western's final Facility Study, and the Western/BEP interconnection agreement.<sup>15</sup>

\* \* \*

Given the effect of the project on the DSW system, Western will review the results of this study with neighboring utilities. Western's analysis indicates potential impacts beyond their system. [Footnote omitted]. Edison's transmission assets at Eagle Mountain substation are part of the Cal-ISO controlled transmission system. The existence of potential criteria violating impacts to non-

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<sup>14</sup> "The Commission has never certified a project without at least a basic understanding of its proposed interconnection configuration, its potential for transmission system impacts, and any necessary mitigation measures. As described below, BEP II has fallen far short of meeting these minimum information requirements." Staff Motion at p. 5.

<sup>15</sup> BEP1 PMPD at p. 81.

Western transmission assets may expand the review and approval authority to include broader regional reliability and planning forums, specifically WSCC and the Southwestern Regional Transmission Association (SWRTA). (Ex. 53, p. 531.)

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Western's identification of acceptable mitigation solutions to be provided in their future final Detailed Facilities Study report and subsequent Interconnection Agreement, are included here as part of condition of certification TSE-1. These documents must be provided to the Commission prior to construction of any transmission facilities. The identification of mitigation for non-Western assets impacted by BEP (including but not limited to SCE and IID transformers noted above) via the WSCC Peer Review Process will also be required. Results of the WSCC Peer Review are also required as a part of condition of certification TSE-1.

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Impacts to non-Western assets, especially SCE's equipment at the Blythe Substation, are not addressed yet. The results of WSCC Peer Review will be required to finalize findings in this area. Although there is some uncertainty as to potential equipment replacement, it is very likely that any work identified will be within the fence line of existing transmission related facilities, and any future identified facility upgrades related to fault duty will have no significant environmental impacts. (Ex. 53, pp. 534-535.)

Thus, in Blythe I the Commission did not require the Applicant to submit studies resolving all issues of compliance with reliability standards. Instead, the Commission based its conclusions on preliminary studies (equivalent to the BART Study) combined with a condition of certification requiring a final demonstration of compliance prior to commencement of construction. The Commission reasonably relied on the fact that the studies would be done and compliance would be required as a matter of federal law pursuant to FERC approved tariffs. The Commission has adopted a similar approach

specifically for transmission issues in several other cases as well.<sup>16</sup> Outside of transmission system engineering, the Commission has used this approach frequently.<sup>17</sup>

Blythe I also confronted the issue of project reliance on future network transmission upgrades similar to the DSTP here. That project was also relying upon future upgrades to the transmission grid to deliver power to Southern California.<sup>18</sup> The Commission did not delay licensing for that project pending completion of these upgrades. Nor did it seek to attribute the impacts of such upgrades to the power plant as Staff is attempting to do with the DSTP here.

In fact, the Blythe I project has not been able to deliver all its output to the Edison system and has been obliged to seek a license amendment for a new transmission line (the BEPTL) for that purpose. While certainly not optimal, no one has asserted in the Blythe I case that allowing the project to proceed in this fashion has degraded electric reliability or harmed the environment in any manner.

**g. Staff's Alleged Concern for Ensuring Electric Reliability is Ironic and Wrong**

**i. The Risk of Stranded Generation is Borne By Caithness**

Staff raises the specter of "stranded generation" as the public interest served by its attempt to further delay this proceeding. Citing the Commission's mandate to ensure electric reliability, Staff expresses concern that the Blythe II project might proceed

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<sup>16</sup> See Final Decisions in Docket Numbers 98-AFC-04 and 98-AFC-1, among others, requiring drawings and specifications of transmission facilities showing conformance with CPUC General Order 95.

<sup>17</sup> See for example, Linear Facility Development Plan, Construction Fugitive Dust Mitigation Plan, Cultural Resources Monitoring and Mitigation Plan, Docket No. 98-AFC-04; a Storm Water Pollution Prevention Plan, Docket No. 98-AFC-3; and, required offsets, Dockets Nos. 98-AFC-04 and 98-AFC-1.

<sup>18</sup> "For the BEP to be able to dispatch its maximum generation into the DSW system, previously planned upgrades to the operation of the Blythe-Niland transmission line at 230 kV and an upgrade of the SCE transformer (at the Eagle Mountain substation) from 72 MVA to 200 MVA are required. (Ex. 53, p. 533.)" Blythe I PMPD at p. 83.

without adequate regional transmission and thereby be unable to deliver its full output to the market.

However, because there is no ratepayer funding of this project other than purchased power, there is no economic risk to ratepayers from such a scenario even if Staff's worst fears were realized. If Caithness were so foolish as build the project without adequate assurance of transmission, it is entirely its own investment of several hundred million dollars that is at risk.

Precisely for that reason, there is no chance that this will happen. Without adequate resolution of the transmission issues, Caithness will not proceed with construction of this project. Indeed, Caithness agreed to a condition of certification ensuring this outcome at the January 22, 2004, hearing. But the reason this condition is of no concern to Caithness is that it merely reflects economic reality. Regardless of any condition, Caithness has a far greater stake in preventing Blythe II from being stranded than Staff or anyone else. Staff's purported concern for the stranding of Blythe II ignores obvious economic realities in addition to the proposed condition of certification offered by the Applicant.

#### **ii. Further Delay of This Proceeding is the Real Threat to Electric Reliability**

Delaying generation will not promote electric reliability. To the contrary, from a reliability standpoint, generation "stranded" in the licensing process is no better than generation "stranded" due to lack of transmission access. This project is one of only a few that can potentially come on-line in Southern California in the near term to provide badly needed generation. As noted at the outset of this response, Staff's Motion is already having a potential negative impact on this project by harming Applicant's ability

to successfully bid into the Edison RFO. Were the motion to be granted, the resulting delay in this proceeding would cause even greater harm to this project's ability to meet the near-term needs of Southern California.

## V. CONCLUSION

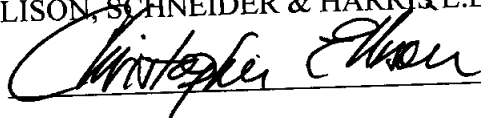
For all the reasons set forth in this response, Staff's Motion is without merit. It seeks to reopen without cause an issue decided by this Committee after an extensive review more than a year ago. It seeks information that in many cases has already been provided to the Staff. As to information that has not been provided (because it does not yet exist), Staff's demands reflect fundamental misperceptions of the scope of the project as well as the facts and the law applicable to this case. Staff seeks a degree of certainty regarding regional transmission issues outside the Commission's jurisdiction that is unrealistic, unnecessary and that would render the Commission's licensing process unworkable. Rather than promoting electric reliability, it would threaten it. The Committee should reaffirm its prior ruling and deny Staff's Motion.

May 13, 2005

Respectfully submitted,

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# **Attachment A**

## TRANSMISSION SYSTEM ENGINEERING

### I. Overview

Applicant's principal concerns regarding schedule arise from the Staff positions regarding transmission system engineering in the Preliminary Staff Assessment ("PSA"). There the Staff asserts that it cannot produce a Final Staff Assessment ("FSA") until it receives a wide variety of additional information including, but not limited to, separate transmission system impact studies ("SIS") from each of the following entities: 1) the Western Area Power Administration ("Western"); 2) the Southern California Edison Company ("Edison"); and 3) the Imperial Irrigation District ("IID").<sup>1</sup> Moreover, the Staff also asserts that it must have an evaluation of these three SIS reports from the California Independent System Operator ("CAISO").<sup>2</sup> In addition, in the PSA Staff also calls for certain information that Applicant has already substantially provided.

Applicant believes that the information Staff requires in the PSA that has not already been provided will cause further significant delays in this proceeding and is not necessary for certification. Such is particularly the case for the multiple system impact studies described above. Recognizing the unique nature of this Project location with regard to transmission<sup>3</sup>, the Applicant has already produced an analysis of transmission system impacts prepared at the direction of the Staff jointly by all potentially-affected entities. This study is the Blythe Area Regional Transmission Study ("BART Study"). It was done expressly to satisfy the Commission's information needs in this proceeding and at Staff's direction. Together with other information that has been provided to Staff, the BART Study provides transmission impact information that is sufficient to meet all the Commission's requirements and which exceeds the information that the Commission relied upon in certifying the Blythe I Project. In addition, Staff also seeks other information as discussed below that Applicant believes is not required for certification. Accordingly, Applicant asks that the Committee rule upon the need for the additional information sought by Staff in the PSA as part of its setting of a schedule for the remainder of this proceeding.

### II. Applicant Has Provided Appropriate System Impact Information to Staff Already in This Proceeding.

Applicant has already provided to Staff information regarding the transmission system impacts of interconnecting the Blythe II Project that is sufficient for Staff to produce its FSA. In its initial Application for Certification ("AFC") filing, Applicant provided all the transmission system impact information required by the Commission's regulations for

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<sup>1</sup> PSA, pp. 5.5-1, 5.5-18 and 5.5-19.

<sup>2</sup> PSA, pp. 5.5-1 and 5.5-19.

<sup>3</sup> Unlike most projects brought before the Commission, the Blythe location lies at the boundary of several systems and also involves a region where several other generation and transmission projects have been proposed that affect any transmission analysis. It is for this reason that all the parties agreed to jointly prepare the BART Study.

timely completion of the one-year AFC process. Both the Staff and the Commission concurred with this fact in finding the application data adequate on July 17, 2002.

Following the finding of data adequacy, Applicant worked with Staff and all other potentially affected transmission owners to produce the BART Study. Recognizing that the Blythe II Project lies at the boundary of several different transmission systems, Applicant, Staff and the various interested transmission owners cooperated in preparing this single, jointly-prepared study specifically intended to address the information needs of the Commission in this proceeding. The study was prepared by a third party contractor under the direction of a technical study group. The technical study group included the principal stakeholder utilities (IID, Edison and Western), the CAISO, the Applicant and the Staff.

The Staff was fully aware of this study from its outset and participated actively in its design. In September of 2002, over 20 people representing the Staff as well as various utilities and the CAISO were sent a Draft Study Work Plan for a single system impact study prepared by KR Saline & Associates. On September 16, 2002, a workshop was held to review the Draft Study Work Plan. Staff was represented at the workshop by Al McCuen, Bill Pfanner, Lisa DeCarlo, Esq., and Ajoy Guha. Based upon the input at the workshop, a final study work plan was published on September 17, 2002 for final review and comment.

The purpose of the Study was expressly stated in the Final Study Work Plan document:

"This purpose of this Study is to analyze the Blythe area regional transmission (BART) system including feasibility of selected transmission options to support the interconnection of the 520 MW Blythe Energy Project Phase II (BEP II). This regional analysis includes the review of: Western Area Power Administration (Western); Imperial Irrigation District (IID); and Southern California Edison (SCE) transmission systems."

"The basic concept of this analysis is to review the various transmission options with and without the Blythe Energy Project Phase 2 (BEP2), and determine the impacts on the Blythe regional interconnected transmission system. The Study Group will also select critical sensitivities that will represent more extreme conditions as part of the final analysis."

A subsequent conference call was held on September 26, 2002, and each week until the first Draft BART Study Report was produced on November 2, 2002. This Draft was followed by several revisions to incorporate comments from the study group members. Revision 2 was produced for comment at the end of January, 2003, and Revision 3 was produced for comment in February, 2003. Final Reports with Executive Summaries were produced in March, April and July of 2003. Finally, on August 14, 2003, Applicant provided to Staff a version of the BART Study limited to the specific configuration for which it seeks a permit in this application proceeding.

In summary, based upon the input from all interested parties, including specifically the Staff, the various potentially-affected transmission owners prepared this joint study of the impacts of interconnecting the Blythe II Project in several different ways. The Report includes specific power flow studies under a variety of conditions consistent with commonly-accepted engineering principles and applicable reliability standards agreed upon in the Study design. The Report summarizes its conclusions as follows:

“Based on this power flow analysis, the addition of the BLYTHE II with any of the Transmission Options described in this report can be interconnected to the transmission system, with some mitigation of the existing system.”<sup>4</sup>

None of the interested transmission owners disagreed with this conclusion.

Throughout this extended effort, the participants understood that the purpose of the study was to complete a comprehensive utility load flow planning study that could be used by the CEC (and perhaps others) to assess the impact of connecting Blythe II to the grid. Specifically, Applicant and the participating utilities understood the following key points regarding this study:

- The CAISO, stakeholder utilities and the Staff would use the BART study as a basis for comments to the CEC on potential impacts of interconnecting BEP II to the grid.
- The BART study would replace the CEC need for system impact studies produced by the individual utilities. Drawing parallels to Blythe I, the BART study would replace the Western system impact study that was used by the CEC for licensing Blythe I.
- This study was not to replace system impact studies that would be completed by individual utilities for compliance with their individual FERC tariffs. In fact, the utilities made it clear that they would run their own system impact studies. As in Blythe I, many of these studies would be completed post BEP II licensing. As in Blythe I, many of the improvements that may result from detailed operational and SIS studies are "inside the fence" and are not normally a concern of the CEC.

### **III. There is No Need for Multiple New System Impact Studies**

- a. Staff's Assertion that the BART Study is Incomplete and Preliminary for Commission Purposes is Incorrect.

Despite Staff's participation in the BART Study design and its understanding that this Study was being prepared explicitly to satisfy Staff requirements, Staff now argues in the PSA that it is insufficient. Staff asserts:

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<sup>4</sup> *Id.*

“The current System Impact Study (SIS), considered as a screening and feasibility study, is incomplete and the study results are preliminary. As such the SIS does not comply with NERC/WECC, NERC and Cal-ISO standards. It will, therefore, be necessary for the applicant to submit a new SIS that would include a Power Flow study under 2006 summer peak and 2006 spring conditions, a Transient Stability study and a Short Circuit study and to address staff’s concerns as stated in this staff assessment.”<sup>5</sup>

Applicant does not agree that the BART Study results are “incomplete” or “preliminary” for the purposes of the report, namely, to satisfy Commission licensing requirements.<sup>6</sup> Indeed, as discussed further below, the BART Study provides information that meets or exceeds that relied upon by the Commission in the Blythe I Project. Applicant believes Staff’s concern arises from three issues. First, the BART Study does not supplant the separate system impact studies that each affected utility will do pursuant to their own individual requirements at a later date. Second, the BART Study does not include (and was never intended to include) transient stability or short circuit analyses. Third, Staff apparently does not concur with some of the assumptions and results of the BART Study.

As to the first issue, the very point of doing the BART Study was to coordinate the otherwise separate and different studies that would be performed by Edison, IID and Western. While each entity must ultimately do its own separate SIS to comply with its own tariffs, the BART study is more useful to the Commission for licensing than these separate studies using potentially differing assumptions. Indeed, the problem of reconciling the various studies is implicitly recognized in Staff’s PSA requirement that the CAISO provide an “evaluation” of the three separate studies after they are prepared. By agreeing upon a common set of assumptions in a joint study, the parties have provided the Staff and the Commission with detailed power flow studies that reconcile the concerns of all affected utilities and avoid otherwise difficult issues of reconciliation of their separate studies.

Thus, while the BART Study does not supplant the individual studies of each entity (largely for tariff compliance reasons), it does provide the Commission with detailed power flow analyses leading to a *consensus* opinion regarding what upgrades are needed to reliably and safely interconnect the Blythe II Project to the grid. The Commission has all the information it needs to assure both reliable interconnection and to consider the environmental impacts of needed transmission upgrades. Therefore, while the BART Study may be labeled “preliminary” for purposes of detailed engineering or tariff compliance, all the utilities involved in its preparation agree that it is final for its intended

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<sup>5</sup> PSA at p. 5.5-1.

<sup>6</sup> In the PSA, Staff suggests that the Applicant has agreed in data responses to a “new” system impact study. (“The applicant responded that the analysis would be submitted with the new System Impact study prior to the final staff assessment.” PSA at pp. 5.5-11 and 5.5-12). The “new” study referred to in Applicant’s response, however, was simply the revision to the BART study provided to Staff on August 14, 2003. Applicant has never agreed that any “new” system impact study beyond the BART study is necessary, much less three separate new ones by each of IID, Western and Edison with an evaluation by the CAISO.

purpose and provides sufficient trustworthy information for the Commission's licensing requirements.

As to the transient stability and short-circuit analyses, Applicant agrees that these analyses must be performed prior to construction and operation. However, given the significant information developed in the BART Study and other sources, Applicant does not understand why this cannot be handled as a post-certification requirement enforced by appropriate conditions of certification. As discussed below, that is essentially how the Commission handled similar issues in Blythe I decision. In that case, Western, Edison and IID each performed certain detailed operational studies post-licensing. A similar procedure is appropriate here because: 1) the BART Study is sufficient to identify necessary upgrades with potential environmental impacts; 2) the BART Study is sufficient to support a finding that the Blythe II Project can be safely and reliably interconnected to the grid; and 3) the transient stability and short-circuit analyses are only needed to support the detailed engineering and final design requirements for these upgrades. It is highly unlikely that these studies will identify any upgrades with potentially significant environmental impacts not already identified in the BART Study and reviewed as part of the DSTP EIS/EIR.<sup>7</sup>

Applicant believes that Staff's real concern is the third issue: that Staff does not entirely agree with all of the BART Study assumptions and results. While the Applicant will continue to work toward achieving agreement with the Staff, the lack of agreement does not suggest a lack of sufficient information needed to prepare the FSA. The information in the BART Study is complete and fully adequate for that purpose.

Indeed, the adequacy of the information in the BART Study to identify impacts and mitigation measures is demonstrated by Staff's PSA itself, wherein the Staff describes in detail the impacts of interconnecting the Project under normal (N-0), single contingency (N-1) and double contingency (N-2) scenarios.<sup>8</sup> The PSA also discusses the specific mitigation measures identified for the various impacts.<sup>9</sup> Read closely, it is apparent that Staff's basis for finding the BART Study "preliminary" and "incomplete" is not that it lacks necessary information, but rather that Staff disagrees with some of the assumptions and conclusions.

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<sup>7</sup> For the reasons set forth above, Applicant believes that the Committee should rule that the transient stability and short circuit analyses are not needed prior to the FSA and can be dealt with as post-certification requirements pursuant to appropriate conditions of certification. However, should the Committee disagree and conclude that these analyses are needed prior to the FSA, then the most it should require is that such analyses be conducted solely by Western as the entity to which Blythe II will interconnect, recognizing that other entities are free to comment on such studies directly to Western or the Commission thereafter. This is the procedure that was followed in Blythe I. In this scenario, the Committee should rule that the BART Study is sufficient for all purposes other than the transient stability and short circuit analyses and that the FSA is due no later than 30 days following the submission of such analyses by Western.

<sup>8</sup> See PSA at pp. 5.5-8 through 5.5-11.

<sup>9</sup> *Id.*

Indeed, Staff acknowledges this fact in the PSA section entitled “Comments on the Current SIS and Requirements for the New SIS.”<sup>10</sup> There Staff claims to have found “modeling discrepancies” that “result in a failure to identify realistic adverse impacts under normal and contingency conditions in the affected systems.”<sup>11</sup> Applicant notes that the BART Study represents the concurrence of several entities with considerable expertise in assessing transmission impacts and a direct stake in the results, including Western, IID, Edison, the CAISO as well as the Applicant. Thus, the Applicant does not agree that these “modeling discrepancies” are significant or even exist.<sup>12</sup> Of course, this does not mean that Staff is bound to accept such results or that Staff cannot present alternative opinions to the Commission. However, that is a matter for resolution at hearing and not a matter of sufficiency of the data. Said differently, Applicant’s obligation is to present an assessment of these impacts and appropriate mitigation measures, but not necessarily to present testimony with which Staff concurs. By presenting the BART Study, Applicant has given Staff a legitimate and credible assessment that addresses through detailed power flow analyses all system impacts and appropriate mitigation measures. Staff can prepare an FSA based on this information or any other information, including its own power flow studies using alternative assumptions that it prefers. But it is not appropriate that Staff refuse to produce an FSA until the Applicant presents an analysis with which Staff agrees.

b. Staff’s PSA Requirements Are Not Consistent with the Information Required by the Commission for the Licensing of Blythe I.

Blythe II is connecting at the same location in the grid as Blythe I. No other major transmission improvements have been constructed since the Blythe I system improvements in the Blythe area. Nonetheless, Staff’s proposed requirements in the PSA for reviewing the Blythe II application substantially exceed the information found sufficient by the Commission in Blythe I. Specifically, notwithstanding the identical location and similar Project size, in Blythe I the Commission did not demand three separate system impact studies plus an evaluation by the CAISO as Staff proposes here. Rather, in Blythe I, Western provided a system impact study to the Commission representing only its individual evaluation. The Commission did not have the CAISO review the study. Edison and IID commented to the Commission regarding the Western SIS Study, and provided additional mitigation that was incorporated by the Commission into the license. As a condition of licensing, Western completed operational studies for Blythe I post-certification as did Edison and IID.

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<sup>10</sup> PSA at pp. 5.5-12 to 5.5-14.

<sup>11</sup> PSA at pp. 5.5-12 and 5.5-13.

<sup>12</sup> Staff contends that the BART Study did not adequately model the transmission facilities accurately to identify all of the potential overloads on the interconnected system. The Applicant contends that the assumptions in the BART Study are a close approximation that examined multiple interconnection options and potential impacts. For the selected 500kV option, the Applicant believes that BART Study does address all of the thermal and voltage impacts and selected mitigation for critical contingencies to meet WECC Reliability Criteria. Most importantly, Applicant does not believe that the difference between Staff and Applicant’s modeling assumptions results in any difference in the ultimate mitigation of impacts.

In this case, the BART Study represents a greater degree of information than the Commission received in Blythe I in that the study represents the joint consensus of all interested transmission owners and not just Western. Applicant sees no reason why the BART Study cannot substitute for the Western-only SIS relied upon in Blythe I, with similar post-licensing requirements for completion of the remaining operational studies (including transient stability and short-circuit analyses).

**IV. The EIS/EIR for the Desert Southwest Transmission Project Is More Than Sufficient for Staff's Legitimate Need for Information Regarding This Separate Project.**

The Applicant is also concerned by Staff's demands for additional information regarding the facilities downstream of the point of interconnection. These demands include the following:

- "For any new or modified downstream facilities, including reconductoring outside the substation fence line, environmental impact information is required."
- "A copy of the "request to terminate the proposed new 500 kV line" by IID to SCE and Western, and the associated work plan and schedules for completing the SIS and/or FS."
- "Evidence that the CEQA/NEPA reviews have made adequate progress to ensure that the construction of the 500 kV line and its schedule have been finalized by IID, that the 500 kV line has been approved for termination by SCE and Western, and that a schedule for building any other new or modified downstream facilities necessary to comply with reliability criteria have been finalized."<sup>13</sup>

This information is not required for certification because it addresses facilities over which the Commission has no licensing or CEQA jurisdiction. Moreover, to the extent the Staff desires information regarding the environmental impacts or schedule for these downstream facilities, such information has already been provided by the Applicant in the form of a detailed Draft EIS/EIR for them. Accordingly, Applicant sees no need for the provision of any further information prior to publication of the FSA. Each of these points will be discussed further below.

The Blythe II Project proposes to interconnect at Western's Buck Substation approximately 2000 feet from the site. The Commission's licensing jurisdiction extends only to this first point of interconnection.<sup>14</sup> Applicant is not proposing that the Commission license any facilities downstream of this point. Rather, power from the Project will be delivered from the Buck Substation to load centers using the Desert Southwest Transmission Project ("DSTP"), a new 118 mile 230 or 500 kV transmission

<sup>13</sup> PSA at pp. 5.5-19, Nos. 4, 8 and 9.

<sup>14</sup> Public Resources Code Section 25107; *California Public Utilities Commission v. California Energy Resources Conservation and Development Commission* (App. 1 Dist. 1984) 197 Cal.Rptr. 866, 150 Cal.App.3d 437.

line proposed by IID and terminating at Edison's Devers substation. The BART Study fully analyzes this configuration.

The DSTP is a separate project from Blythe II and as such is undergoing a separate licensing and environmental review. While the DSTP will accommodate Blythe II, it is proposed to serve a variety of other regional needs as well.<sup>15</sup> The Blythe II Project is not the cause of the DSTP and the DSTP is proposed to go forward with or without Blythe II.

While the Commission's jurisdiction under CEQA extends beyond its permitting jurisdiction to ensure that downstream environmental impacts of the proposed power plant are evaluated, it does not permit the Commission to claim jurisdiction over entirely separate transmission projects not directly caused by the proposed power plant. While Staff is free to comment on the environmental assessments of the DSTP being conducted by other agencies, it cannot conduct a separate environmental analysis of the DSTP in this proceeding. Even if the environmental impacts of the DSTP were relevant to this proceeding (which they are not), CEQA requires that the Commission rely upon the analysis of the lead agency for that project rather than conducting its own separate environmental review in the context of this proceeding.<sup>16</sup> The environmental impacts of the DSTP are entirely separate from those of Blythe II and are of no relevance to this proceeding.

Nonetheless, Applicant has provided very detailed environmental information regarding the DSTP to the Staff in the form of the Draft EIS/EIR for this project. That voluminous document describes all potential impacts in detail. Given that impacts are not relevant in the first place, the provision of this information is more than sufficient to address to Staff's legitimate need—if any exists—for environmental information regarding this project. The Committee should rule that this information satisfies Staff's demand for environmental information regarding proposed "new or modified downstream facilities."<sup>17</sup>

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<sup>15</sup> As set forth in the DEIS/DEIR, the objectives of the DSTP are as follows:

"The basic objectives of the Proposed Project are to:

Objective 1: Ensure access to competitive generation sources that will allow IID to minimize the market price spikes, which adversely effect the region's customers.

Objective 2: Provide improved transmission access to new generation sources (e.g., the Griffith Energy Project, the South Point Energy Project, and the Blythe Energy Project) to meet the increased demands for electrical power in IID's service area and to respond to transmission service and interconnect requests.

Objective 3: Enhance system reliability by providing additional transmission line capacity to the Coachella Valley load center and, thus, reduce loading on other transmission lines.

Objective 4: Improve operational flexibility during normal as well as contingency situations."

<sup>16</sup> Public Resources Code sections 21165 and 21080.1.

<sup>17</sup> To the extent the phrase "new or modified downstream facilities" is meant to refer to downstream facilities that are caused by Blythe II (i.e. facilities other than the DSTP), Applicant knows of no such facilities.

Staff's other concerns regarding the DSTP relate to information concerning the schedule for, and progress of, this transmission project. Staff's concern appears to be ensuring that Blythe II will not commence operation before the DSTP in a manner inconsistent with the assumptions in the system impact studies. That is a legitimate concern. But this concern does not require the information demanded by Staff in the PSA as set forth above. Rather, Staff can address this concern in two ways based upon the information it already has in hand.

First, Staff can easily establish by review of the DEIS/DEIR already provided that the DSTP is proposed to be in operation by Summer 2006. This is consistent with the assumptions in the BART Study.

Second, to the extent that Staff is concerned regarding future changes in the DSTP schedule, Staff can propose a licensing condition that would prevent operation of the Blythe II Project unless the DSTP has begun operation. Applicant has no objection to the concept of such a condition, provided it is appropriately drafted.

With this proposed condition of certification and the information already provided by the Applicant regarding the DSTP schedule, the Staff and the Commission can fully address any concerns that the DSTP will not be in place in time to accept generation from Blythe II. Thus, there is no need for the additional information regarding the DSTP sought by Staff in the PSA.

**V. The Committee should reject and/or modify the Staff's proposed requirements for additional information in the PSA.**

For the reasons set forth above, the Committee should require Staff to produce an FSA without requiring the information that Staff demands in the PSA. Specifically, the Committee should make the following findings with regard to the nine paragraphs of information requirements set forth at pp. 5.5-18 and 5.5-19 of the PSA:

- With regard to those portions of paragraphs 1 through 3 calling for new system impact studies separately from Edison, Western and IID, the Committee should find that the BART Study is a sufficient system impact study for preparation of the FSA and no additional studies are necessary;
- With regard to those portions of paragraphs 1 through 3 calling for transient stability and short circuit analyses separately from each of Edison, Western and IID, the Committee should find that these analyses are not needed for the FSA and should be required to be done post-certification pursuant to appropriate conditions of certification;<sup>18</sup>

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<sup>18</sup> As discussed in footnote No. 7, above, if the Committee believes that these analyses are necessary for the FSA then it should require production of the FSA no later than 30 days following submission of transient stability and short circuit analyses by Western as the interconnecting utility. Even if such analyses are needed for the FSA, there is no basis for demanding separate studies from three different entities.

- With regard to paragraph 4 calling for environmental impact information regarding downstream facilities, the Committee should find that the DEIS/DEIR for the DSTP already provided to Staff is sufficient for production of the FSA;
- With regard to paragraph 5 calling for “Review, Analysis and Conclusions” from the CAISO of the system impact studies of Edison, Western and IID, the Committee should find that no such studies are needed and that therefore no CAISO review of them is needed;<sup>19</sup>
- With regard to paragraph 6 regarding final layout plans and facility descriptions, the Applicant has already provided such information to Staff and the Committee should therefore find that this information has been provided;<sup>20</sup>
- With regard to paragraph 7 regarding the request to interconnect with Western and related information, the Applicant has already provided such information to Staff and the Committee should therefore find that this information has been provided;
- With regard to paragraph 8 regarding the request to terminate the DSTP, the Applicant has already provided such information to Staff and the Committee should therefore find that this information has been provided;
- With regard to paragraph 9 calling for information regarding the CEQA/NEPA review of the DSTP and various other information, the Committee should find that the provision of the DEIS/DEIR for the DSTP is sufficient for production of the FSA and that an appropriate conditions of certification can address concerns regarding the progress of the DSTP.

## **VI. Proposed Schedule**

Based upon the foregoing, the Committee should conclude that Staff has all the information necessary to produce the FSA on transmission system engineering. Alternatively, to the extent the Committee disagrees with Applicant’s position that a transient stability study and a short circuit study are not required for production of the FSA in this case, then the Committee should require production of the transmission system engineering portion of the FSA no later than 30 days following submission of such studies by Western.

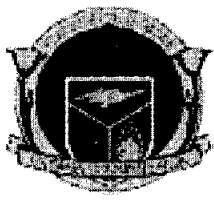
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<sup>19</sup> The Committee could invite comments from the CAISO on the BART Study, although it should not make the FSA schedule dependent upon receiving such comments given that the Blythe II Project is not interconnecting with the CAISO grid.

<sup>20</sup> Indeed, Applicant has provided such information for multiple interconnection options. To the extent Staff’s concern is confusion regarding which option is proposed for licensing, the answer is the interconnection at the Buck Blvd. substation and reliance upon the DSTP as discussed above.



## **Attachment B**

 <p>1515 NINTH STREET SACRAMENTO, CA 95814-5512 (800) 822-6228 www.energy.ca.gov</p>	<p>CALIFORNIA ENERGY COMMISSION</p>	<p><b>NOTICE OF HEARING ON PROJECT STATUS</b></p>
		<p>BLYTHE ENERGY PROJECT II APPLICATION FOR CERTIFICATION DOCKET NO. 02-AFC-1</p>

**Project Status  
Hearing:**

On January 22, 2004, the Committee conducted a hearing on the project status of the Blythe II Energy Project. The purpose of the hearing was to review the status of the proceeding, the timeliness and completeness of Applicant's data submissions, and the remaining schedule for the proceeding.

**Discussion:**

Both the Staff and Applicant, Caithness Blythe II, filed Status Reports regarding the topics listed in Appendix A of the Committee's Notice of Hearing on Project Status. Based upon these filings, the Committee determined that there are several topics, listed in the attached Appendix A, for which the Applicant must supply data in order for the Commission staff to have sufficient information to complete and file its Final Staff Assessment. Also included in the Appendix is a Schedule for this proceeding through the evidentiary hearings. The Committee fully expects the Final Staff Assessment to be filed no later than May 22.

Dated: February 4, 2004

**ENERGY RESOURCES CONSERVATION AND  
DEVELOPMENT COMMISSION**

WILLIAM J. KEESE  
Chairman and Presiding Member  
BLYTHE II AFC Committee

ARTHUR H. ROSENFELD  
Commissioner and Associate Member  
BLYTHE II AFC Committee

*Mailed to Lists: 7086, 7087, 7088*

## Appendix A

<b>Subject</b>	<b>Information to be provided by Applicant for completion of the Final Staff Assessment</b>
<b>AQ</b> Final Determination of Compliance	The FDOC is to be provided by the end of February.
<b>BIO</b> Biological Assessment <b>BIO</b> Burrowing Owl Plan	Following action by the City of Blythe to determine whether there are "outside-the-fenceline" project activities, USF&WS may provide a concurrence letter. (60 days*)
<b>CUL</b> City Confirmation	The Applicant shall provide notification of action by the City of Blythe to grant a height variance for the exhaust stacks. (60 days*)
<b>LAND</b> City Height Variance	The Applicant shall provide notification of action by the City of Blythe to grant a height variance for the exhaust stacks. (60 days*)
<b>LAND ALUC</b> Override	The Applicant shall provide notification of action by the City of Blythe to override the ALUC determination. (60 days*)
<b>TRANS</b> Alt Traffic Route	The Applicant shall provide notification of a requirement by the City of Blythe, if any, to provide an alternative to the Hobsonway route to transport heavy or oversized loads to the site. (60 days*)
<b>WRES</b> Discharge Ponds WRES Waste Discharge	The Applicant shall provide a final determination of the waste discharge requirements, including the days of capacity of the evaporation ponds. (30 days**)
<b>WORKER</b> Fire Needs	The Applicant shall provide a statement from the City of Blythe as to its requirements for firefighting and emergency response at the project. (60 days*)

## Schedule Blythe II AFC 02-AFC-01

<b>Feb. 29**</b>	Final Determination of Compliance/Waste Discharge Requirements Due
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<b>Mar. 22*</b>	All others from Appendix A Due
<b>May 22</b>	Staff files Final Staff Assessment
Mid-June	Committee Prehearing Conference
Mid-June	Evidentiary Hearings

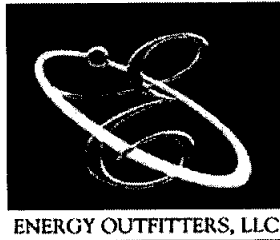
\* Sixty (60) days from Project Status Hearing (1/22/04)

\*\* Thirty (30) days from Project Status Hearing

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# **Attachment C**



**TO:** BART Participants  
**DATE:** April 30, 2004  
**FROM:** Mark L. Etherton, P.E.  
**RE:** BART Study - Work Group Consensus

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The purpose of this letter is to draw from the significant conclusions developed for the Blythe Area Regional Transmission Study ("BART") that was completed and submitted to the California Energy Commission ("CEC") to obtain licensing of the Blythe Energy Project, II ("BEP2"), and to summarize the consensus reached by BART Work Group regarding the mitigation of the critical contingencies.

The BART Study was conducted in response to a CEC requirement to seek input from the regional transmission owners and operators to develop a common base case that would allow assessment of the regional impacts of the transmission system under various interconnection options of BEP2. The BART study was not intended to fulfill each transmission owner's OATT requirements for a system impact study. The BART study was created to assist the CEC to determine what, if any, new transmission facilities would be required for the BEP2 Project to conform to environmental regulations under the jurisdiction of the CEC. Additional power flow work, transient stability and short circuit studies were to be performed as part of final system impact studies by each of BART Participants pursuant to their individual OATT processes.

The primary assumption for the current CEC BEP2 application from the BART Study was that a 500kV line and a 500/161kV transformer (Desert Southwest Transmission Project or "DSTP") would be required prior to interconnection of the BEP2 facility to the Buck 500kV substation. The primary conclusions from the BART Study with these assumptions were:

1. For the loss of the 500kV line from Buck to Devers, the mitigation requirement will be to prevent no more than 520MW total from BEP1 and BEP2 from being delivered into the existing Blythe 161kV area system, *the WALC Operating Procedure will be used to limit the flow into the underlying 230kV and 161kV as required*. BART assumed that all of BEP2 would be tripped for the loss of the 500kV line to Devers.
2. For the loss of the Devers – Valley 500kV line, a "Devers Import Nomogram" should be developed to mitigate the overloads on the Devers 500/230kV transformer and the Devers – San Bernadino 230kV #1. Curtailments would be based on a maximum import limit (BART concluded 2200MW) and the criteria established by SCE and the CAISO.
3. With the DSTP and the interconnection to the Buck 161kV system, the existing Blythe area 161kV system is relieved of many of the existing overloads under N-0, N-1 and N-2 conditions.

The following represents the consensus that was reached at the BART Work Group meeting on April 2, 2004 regarding the mitigation of critical contingencies for the BART analysis:

The overlying assumption for this discussion was that the Buck – Devers 500kV line and the Buck 500/161kV transformer would be in-service *prior* to the BEP II generation commercial operation date. Both of these projects are expected to be completed in 2006. Furthermore, the BEP II owners have expressed their willingness to accept a condition of certification from the CEC ensuring that this is the case and have drafted a proposed condition to that effect and submitted it to the CEC Staff.

With the interconnection of BEP II at the Buck 500kV substation, the most critical contingency for the loading at the Buck/Blythe area system is the single contingency outage of the Buck to Devers 500kV line. The analysis completed to date shows both thermal overloads and transient stability issues for both BEP II and BEP I (1040MW total) connected only to the Western Blythe area 161kV system. Mitigation for this condition will be accomplished by an immediate reduction of BEP II generation output via a Remedial Action Scheme that will be developed to trip the appropriate level of generation at the BEPII facility to prevent the overloads to the Blythe area 161kV system.

The next most critical contingency for the interconnection of BEP II at the Buck 500kV substation is the single contingency outage of the Devers to Valley 500kV line. The BART analysis noted that the loading on the existing 500/230kV transformer at Devers might load to 125-135% of its emergency rating for this critical contingency. The CAISO stated that this contingency had been noted in current operating studies and the CAISO has developed an Operating Procedure to limit the overloads to the Devers 500/230kV transformer (reference CAISO T-103, V6.1, Section 5, attached). The CAISO also noted that in mid-2006, the second Devers 500/230kV transformer would be installed as part of the series capacitor upgrades on the Palo Verde-Devers 500kV line. Therefore, mitigation for this condition will not be required with the addition of the second Devers 500/230kV transformer in mid-2006. As a “back-up” in the event the second transformer is not installed at Devers, the CAISO Operating Procedure will be used to limit the flow into the Devers import as required. The CAISO also noted that the Operating Procedure would also be revised with the addition of the second Devers 500/230kV to limit the flow west of Devers 230kV system in the event of the Devers to Valley 500kV line is out of service.

The need for transient stability, short circuit, and post-transient analysis from the BART Study has been addressed and the final report has been completed (reference GE Final Report, dated 4/15/2004). While these studies will also have to be done for OATT compliance by one or more of the BART participants, we believe that with the completion of this latest analysis and the consensus on mitigation issues, the BART Study is sufficient to identify network upgrades and associated environmental impacts resulting from the interconnection of the BEP II Project as needed for the Energy Commission’s licensing review (i.e. upgrades required outside of existing Western/SCE/IID substation fences).

For the purposes of the CEC review for the Final Staff Assessment (“FSA”) that is expected to be completed the end of April 2004, the above conclusions support that no new additional transmission facilities or upgrades that have not already been identified will be required outside the SCE, Western, and IID substation fences (just inside the fences such as breakers, switches, etc.).

Thank you again for your participation with the BART study effort, and we look forward to working with each of you as the specific OATT required studies proceed over the next several months.

STATE OF CALIFORNIA

Energy Resources Conservation  
and Development Commission

In the Matter of:

Application for Certification

BLYTHE ENERGY PROJECT - PHASE II

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Docket No. 02-AFC-1

**PROOF OF SERVICE**

I, Ron O'Connor, declare that on May 13, 2005, I deposited copies of the attached *Response Of Caithness Blythe II To Staff's Motion To Compel Applicant To Submit Certain Information On Proposed Transmission Interconnection Configuration* in the United States mail in Sacramento, California, with first-class postage thereon fully prepaid and addressed to all parties on the attached service list.

I declare under the penalty of perjury that the foregoing is true and correct.

  
Ron O'Connor

**SERVICE LIST**  
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